

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** NEIL PRICE  
DEPUTY ATTORNEY GENERAL

**DATE:** FEBRUARY 7, 2014

**SUBJECT: ROCKY MOUNTAIN POWER'S APPLICATION FOR A NET DECREASE IN RATES THROUGH ITS ENERGY COST ADJUSTMENT MECHANISM (ECAM), CASE NO. PAC-E-14-01**

On January 31, 2014, PacifiCorp dba Rocky Mountain Power ("RMP" or "Company") submitted its annual Energy Cost Adjustment Mechanism ("ECAM") filing in accordance with *Idaho Code* §§ 61-502 and 61-503, and Rule of Procedure 52. The Company requests an effective date of April 1, 2014, for the proposed decrease in Idaho rates. RMP requests that this matter be processed through Modified Procedure.

### THE FILING

RMP is requesting a Commission Order approving the recovery of total deferred net power costs for the collection period beginning April 1, 2014 through March 31, 2015 ("Deferral Period"). *Application* at 1. RMP's Application seeks to revise Schedule 94, Energy Cost Adjustment, to recover approximately \$13.2 million in total deferred net power costs over the deferral period. *Id.* RMP states that this amount represents a decrease of approximately \$2.8 million over current Schedule 94 rates authorized by Order No. 32771 (Case No. PAC-E-13-03). *Id.* at 2. The Company states that the rates of Monsanto Company ("Monsanto") and Agrium Inc. ("Agrium") will increase while all other customers' rates will be reduced. *Id.*

The \$13.2 million recovery includes an amortization of Monsanto and Agrium's shares of the 2011-2013 deferrals, as set forth as part of the general rate case stipulation ("Stipulation") in Case No. PAC-E-11-12 and approved by Commission Order No. 32432. *Id.*

The Company states that its Application incorporates further changes to the ECAM calculation in accordance with Commission Order 32910 in Case No. PAC-E-13-04. *Id.* at 4.

The combined amortization of the amounts from the three ECAM deferral periods result in tariff surcharge rates in this case for Monsanto (\$6.0 million) and Agrium's (\$.5 million) share in the deferral period. *Id.* at 5. RMP included a detailed ECAM calculation as Confidential Exhibit No. 1. *Id.* at 6.

As background, the Company noted that on September 29, 2009, the Commission issued Order No. 30904 approving the implementation of an annual ECAM. *Id.* at 3. The costs included in the ECAM are net power costs ("NPC"), as defined in the Company's general rate cases and modeled by the Company's GRID model. *Id.* Base and actual NPC are booked into specific FERC accounts. *Id.* at 3-4. The ECAM process allows the Company to credit or collect the difference between the actual NPC incurred to serve its Idaho customers and the NPC collected through rates. *Id.* at 4. RMP defers the difference into an ECAM balancing account. *Id.*

The ECAM includes five additional components: (1) the Load Growth Adjustment Rate ("LGAR") or Load Change Adjustment Rate ("LCAR"); (2) a credit for SO<sub>2</sub> allowance sales; (3) an adjustment for the treatment of coal stripping costs; (4) a renewable resource adder for the renewable resources that are not yet in rate base; and (5) a true-up of Renewable Energy Credit ("REC") revenues, as authorized by the Commission in Order No. 32196. *Id.* at 4-5. The ECAM includes a 90% (customers)/10% (Company) "sharing band" wherein customers pay/receive the increase/decrease in actual NPC compared to base NPC and RMP incurs/retains the remaining 10%. *Id.* at 4.

The Company notes that the Base NPC originated from the 2011 Stipulation approved by the Commission. *Id.* at 6. The Base NPC was set at \$1.205 billion for the 2012 calendar year and \$1.385 billion for the 2013 calendar year. *Id.* The combined Base NPC for the deferral period is \$1.369 billion. *Id.* For the deferral period, the NPC differential for deferral was approximately \$9.8 million before the 90/10 sharing band. *Id.* The LCAR reduced the deferral balance by approximately \$1.1 million before sharing due to higher usage during the deferral period. *Id.*

Credits for SO<sub>2</sub> allowance sales revenues received by the Company were also included as an offset to the NPC deferral (\$3,000 before sharing). *Id.* at 7. Additionally, Idaho's

share of incremental load control costs, pursuant to Commission Order 32432, is tracked in the ECAM and resulted in an adjustment reducing the deferral by \$0.2 million before sharing. *Id.*

In addition to the foregoing ECAM calculation components discussed above, the deferral balance reflects the difference between actual REC revenues during the deferral period and the amount of REC revenues included in base rates. *Id.* at 7. The 90/10 sharing band does not apply to the REC revenue true-up included in the ECAM. *Id.*

The difference between including coal stripping costs incurred by the Company, and recorded on the Company's books pursuant to accounting pronouncement EITF 04-6, and the amortization of the coal stripping costs when the coal was excavated was added to the NPC differential for deferral (\$41,000 before sharing). *Id.*


The deferred ECAM balance of \$24.3 million as of November 30, 2013, is derived from the following calculation: 90% X (deferred NPC + LCAR + SO<sub>2</sub> revenues + coal stripping costs adjustment) + interest charges + REC revenues. *Id.* at 8. The Company's Confidential Exhibit 1 illustrates the detailed calculations for tariff customers, with an ending balance of \$9.9 million; Monsanto, with an ending balance of \$13.4 million; and Agrium, with an ending balance of \$1.0 million.

RMP notified customers of this filing by "issuing a press release sent to local media organizations and messages in customer bills over the course of a billing cycle." *Id.* Copies of RMP's Application are available for review at the Company's local offices in its Idaho service territory. *Id.* at 8-9.

RMP has attached a copy of the direct testimony, including exhibits, of Brian S. Dickman, Manager of Net Power Costs, and Joelle R. Steward, Director of Pricing, Cost of Service, and Regulatory Operations in the Regulation Department, in support of its Application.

#### COMMISSION DECISION

Does the Commission wish to process RMP's ECAM filing through Modified Procedure with a corresponding 28-day comment period?

  
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Neil Price  
Deputy Attorney General

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